BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca *Issue: 05-04* *January 28, 2005*

- **Sales by retailers in BC fell 1.2% in November**
- **BC manufacturers were less optimistic about their production in the first quarter of 2005**
- **55,680 British Columbians received EI in November**

The Economy

- **Sales by retailers in the province fell 1.2% (seasonally adjusted) in November after two consecutive months of growth.** It was the biggest decline for BC retailers since September 2003 (-2.3%), indicating poor pre-Christmas sales in the province. The slump was largely due to lower sales in new cars, used and recreational vehicles and parts, department stores and other general merchandise stores.

  Nationally, retail sales were virtually unchanged in November (-0.1%), following a 1.2% jump in the previous month. General merchandise stores (-2.3%) and furniture, home furnishings and electronics stores (-1.9%) across the country experienced bigger losses in sales. However, shoppers spent more in building supplies stores (+1.4%), food stores (+1.2%) and pharmacies (+0.7%) in November.

  Only six provinces saw retail sales grow in November, with New Brunswick being the leader (+2.5%). Manitoba, followed by BC and the Yukon (-1.2%), experienced the largest declines in November. *Source: Statistics Canada*

- **BC manufacturers were less optimistic about their prospects in January 2005 than they were in October 2004.** Among manufacturers surveyed, 23% (seasonally adjusted) stated that they expected the volume of production in the next three months to be lower than the previous three months, while only 21% expected the reverse. As a result, the balance of opinion stood at -2, a 13-point drop from the positive October balance. In fact, it is the first negative balance of production prospects for BC manufacturers since the end of 2001.

  When asked about orders received, the balance of opinion was +1, with 19% of manufacturers stating that order numbers were on the rise, while 18% thought orders were declining. Most manufacturers thought finished product inventories were about right (79%) or too high (17%) in November, yielding a balance of opinion of 13. The balance was 11 in October, when 17% of manufacturing firms thought that finished product inventories were too high and 77% thought they were about right. The number of firms that thought the backlog of unfilled orders was higher than normal lowered from 13% in October to 11% in January, while 9% believed unfilled order numbers were below normal levels.

  According to most manufacturers surveyed (73%, unadjusted), there were no production difficulties at the time of the survey. Among the rest who experienced difficulties in production, skilled labour shortage was the biggest problem (12%) that hampered the growth in production. Others think they need more raw materials (4%), working capital (3%), or other resources (5%). More manufacturers (19%) expect to employ more workers in the next three months.

  At the national level, the number of manufacturers expecting a production increase over the next three months stood at 13%, while the same number of manufacturers foresaw a decrease in production in the first quarter. Hence, the balance of the production prospects was 0 in January, dropping 11 points from the positive October balance. The major contributors to the drop in the balance of opinion were manufacturers in the transportation equipment, primary metal, machinery and computer and electronic product industries. *Source: Statistics Canada*

Report Legitimate Border Threat or Reefer Madness

Did you know...
There are 3,333 lights on the Parliament Buildings in Victoria.

Aircraft Movements

- **Vancouver International Airport, the second-busiest airport in Canada, saw 314,644 take-offs and landings in 2004, jumping 8.3% from 2003.** The nation's busiest airport, Toronto/LB Pearson International Airport, also experienced more traffic than 2003, up 8.9% from the previous year. Nationally, the 42 Canadian airports with NAV CANADA air traffic control towers reported almost 4.4 million aircraft movements in 2004, a decrease of 3.2% compared to 2003 (4.5 million). Twenty-nine airports showed annual decreases in 2004, including Vancouver Harbour (-31.3%), Toronto/City Centre (-26.3%), Sudbury (-34.9%) and London (-19.4%). *Source: Statistics Canada*

Employment

- **In November, the number of British Columbians receiving regular employment insurance (EI) benefits was essentially unchanged (-0.1% to 55,680, seasonally adjusted).** Across the country the number of recipients declined 1.3% from October to 514,500. The number of beneficiaries was down in all the provinces and territories, except for Saskatchewan (+2.0%) and New Brunswick (+0.2%). Prince Edward Island (-9.2%) and Manitoba (-6.5%) experienced the largest declines in EI recipients over October, while Ontario (-1.4%), Alberta (-1.4%), and Newfoundland and Labrador (-1.3%) all saw noticeable declines.

  Canada-wide, the total value of regular benefits paid out plummeted 12.0% (seasonally adjusted) in November to 688.2 million.

  Source: Statistics Canada

Health

- **There were 462 cancer incidences per 100,000 males in BC in 2002, down 3.8% from 2001.** Females in BC have a smaller incidence of cancer, with 413 cases per 100,000 population. Provincially, cancer incidences were highest in Prince Edward Island and Nova Scotia, and lowest in Nunavut. The 2002 rates for Canada and Quebec are not yet available.

  Source: Statistics Canada

Culture

- **Total government spending on culture expanded to 7.1 billion in 2002/03, a 5.2% increase from the 2001/2002.** However, the rate of increase was lower than in 2001/02 (+6.6%) and in 2000/01 (+6.3%). The federal government was the main source of culture-related expenditure, expanding 6.5% to $3.4 billion in 2002/2003. Provincial and territorial outlays rose 2.1% to $2.1 billion and municipal expenditures were up 3.6% to $1.9 billion.

  On a per capita basis, BC received the least federal government funding ($44 per capita) in 2002/2003, about 40% of the Canadian average ($109/per capita). However, the BC provincial ($62/per capita) and municipal ($77/per capita) government spent more on culture in 2002/2003.

  Source: Statistics Canada

The Nation

- **The federal government spent nearly $8.0 billion on science and technology in 2002/03.** The majority of this amount could be tracked by province ($7.3 billion), of which 22% was allocated to Ontario and 17% to Quebec.

  Source: Statistics Canada

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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Originally published in *Exports*, Issue 04-10. Annual Subscription $60 +GST

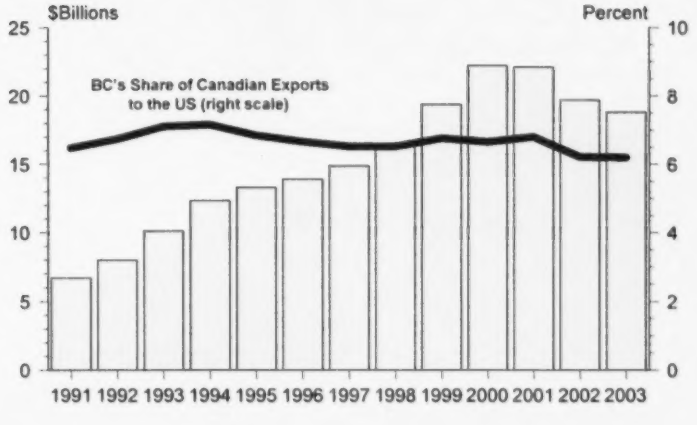
Legitimate Border Threat or Reefer Madness?

Canada's intention to decriminalize possession of small amounts of marijuana is not going over very well in Washington, and the United States is warning that the move could result in a crackdown at the border, which could lead to congestion and threaten trade. With increased security measures since 9/11 and recent transportation shortages,[1] there are already stresses showing at Canada-US border crossings and the US suggests that decriminalizing marijuana will exacerbate this further. According to US ambassador Paul Cellucci, "If people think it's easier to get marijuana in Canada, then our people at the border are going to be on the lookout and I think they will stop more vehicles, particularly vehicles driven by young people, whether they're citizens of Canada or the United States."[2]

The US is suggesting there could be further border congestion if Canada goes ahead with its new pot laws

With 86% of all Canadian exports destined for the United States, any threat to trade relations between the two countries could have serious economic consequences for Canada. Although British Columbia is less dependent on trade with the US, the province still ships two-thirds (66%) of its exports south of the border. Of course, this does not include underground trade in illegal goods, such as marijuana, which, if one is to believe some of the hype, is substantial.

BC exports close to $20 billion worth of goods to the United States each year



Approximately two-thirds of BC origin exports are shipped to the United States

[1] See "Border Congestion Threatens Trade" in the August 2004 edition of *Exports* for further discussion on these issues.

[2] As quoted in "Pot law will snarl U.S. border, says envoy," *Victoria Times-Colonist*,

However, evidence suggests that American claims of potent BC Bud and Quebec Gold flooding into their country are highly exaggerated. According to a report prepared jointly by the Canadian and US governments, only 2% of marijuana seized at US borders originates in Canada.[3] Mexico is by far the source of the majority of marijuana seized at the border. Even taking into account stricter security at the Mexican border, which may result in a higher seizure rate, the amount of pot smuggled in from Mexico likely dwarfs that of Canadian-grown marijuana. However, the largest source of marijuana consumed in the United States is the US itself. A significant amount of the marijuana produced in the US even finds its way into Canada, although traffic heading south generally outweighs shipments of the product going north.

Canada has been the source of only 2% of the marijuana seized at US borders

Despite evidence to the contrary, there is still a perception in the US that Canada is a significant supplier of marijuana to Americans and the current drive to decriminalize possession of small amounts of the substance is seen as a precursor to increased smuggling of the product over the border. Some find it difficult to see the logic of this concern, since the new law would not legalize possession of the drug, but rather would make possession of small amounts a non-criminal offence subject to fines rather than imprisonment. Canadian officials point out that the law will also increase the punishment for running grow operations and, therefore, could actually result in a reduction in marijuana production. The main idea behind the law would be to reallocate resources away from prosecuting occasional users for minor offences and toward those producing and trafficking the drug.

The proposed new marijuana laws are designed to allocate resources toward prosecuting producers and traffickers of the drug, rather than the occasional user

The American government's protests over Canada's intentions to decriminalize cannabis possession are even more confounding when one considers that there are several U.S. states that have laws governing marijuana possession that are as liberal as the one currently under consideration in Canada. Not only that, but in most of these states these laws have been in effect since the 1970s. Some of the states even border Canada, including New York, Minnesota, Ohio and Maine.[4]

The consequences of an American overreaction that leads to increased border congestion could be severe for Canada. In 2003, just over half (51%) of Canada's $303.6 billion in merchandise shipments to the United States were transported by truck. For BC, the proportion moving by truck was slightly less, but again, almost half (46%) of the $18.8 billion worth of goods exported from BC to the US were transported by truck. Increased border delays would add to shipping costs and

About half of all goods exported from Canada to the US travels by truck

November 10, 2004, p. A5.

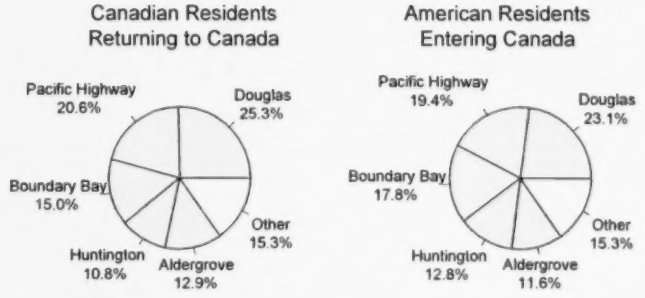
[3] "United States-Canada Border Drug Threat Assessment," October 2004, p. 3.

[4] Alaska also decriminalized marijuana possession in the 1970s, but has apparently re-criminalized it since then.

could cause some manufacturers to relocate south of the border in order to avoid the problem, or could result in businesses in the United States finding new suppliers outside Canada.

There could also be a negative effect on tourism, particularly same-day travel. In BC, most same-day automobile and bus travel to and from the United States crosses the border at one of the customs ports in the Lower Mainland. If American customs agents start to do more thorough inspections under the expectation of increased drug traffic, thereby clogging these main border checkpoints, it could lead to a reduction in travellers from both directions. Canadians may be loath to sit in line for a lengthy period for a cross-border shopping expedition and Americans may also hesitate to take short trips across the border if it will mean a significant delay on the return trip.

Lower Mainland Border Crossing Points Tend to Handle the Bulk of Same-Day Car and Bus Travel

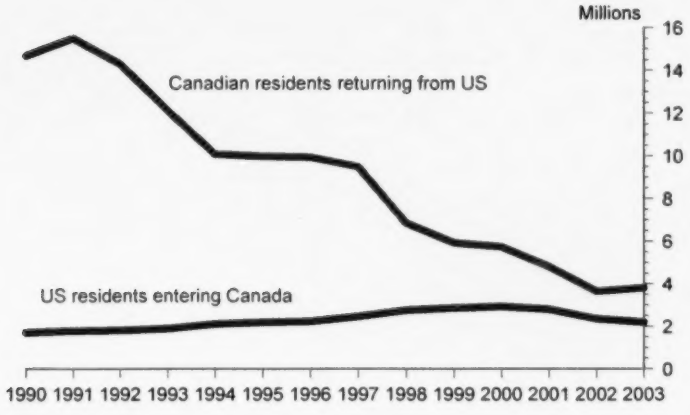


85% of same-day car and bus travel between BC and the US crosses through Lower Mainland customs ports

Ironically, in terms of tourism, it could be the United States that would suffer the most from a border crackdown. Historically, there have been far more Canadians making one-day trips to the US than there have been Americans travelling north on a same-day trip. This is particularly true for British Columbia. As the Canadian dollar depreciated, the number of Canadians driving or bussing south for a day plummeted, while American travel to Canada climbed at a slower pace, falling more recently as the loonie gained significant ground against the greenback. While the number of Canadians taking quick trips to the US has not appreciably grown in synch with the rising Canadian dollar, it is likely that the higher dollar will entice Canadians to return to the US for cross-border shopping or other reasons eventually. However, increased hassles at the border may keep those Canadians home, which would be bad news for American border towns such as Bellingham or Blaine in Washington State where merchants depend on significant business from Canadians. These communities are only recently starting to regain some of their Canadian customers who disappeared when the loonie plunged to previously unseen depths.

More scrutiny at the border by US customs agents could cause long line-ups and deter Canadians from making same-day trips to the US

Travellers crossing the BC border on a same-day trip are more often returning Canadians than Americans



There are more Canadians returning home from same-day trips to the US crossing through BC customs points, than there are Americans entering the country on same-day travel

Not only could a border crackdown harm tourism-related business in the United States, but it could also cause injury to businesses that rely on timely shipments from manufacturers in Canada. In the long run these businesses may be able to find alternate suppliers, but there would likely be some short-term costs incurred. In other words, while Canadian businesses may suffer most of the negative consequences of increased congestion at the border, their American counterparts will also be subject to increased costs and/or lost business.

With Canada and the United States sharing the longest undefended border in the world and with over $700 billion in annual two-way commodity trade between the two countries, it is important that both the Canadian and American governments keep each other apprised of changes in laws that have the potential to affect that relationship. However, in the end Canada must craft legislation that serves the best interest of Canadians. As Prime Minister Martin stated, "Canada will make its own laws, pure and simple."[5] One can only hope that the US government will recognize that it is in the best interest of both Canadians and Americans to maintain efficient operations at the border and that they will not succumb to "reefer madness."

[5] As quoted in "We'll make pot laws, Martin tells Cellucci," *National Post*, November 11, 2004, p. A6.

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/04	% change on one year ago
BC	4,209.9	1.1
Canada	32,040.3	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	145,550	5.2
GDP *($ 1997 millions)*	133,600	2.5
GDP *($ 1997 per Capita)*	32,175	1.6
Personal Disposable Income *($ 1997 per Capita)*	19,758	0.3
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Nov	3,632	1.2
Merchandise Exports - Nov	2,564	-4.2
Retail Sales - Nov	3,964	-1.2
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Dec '04	% change
BC	123.5	2.0
Canada	125.4	1.8
LABOUR FORCE (thousands)		
(seasonally adjusted)	Dec '04	% change on prev. month
Labour Force - BC	2,228	0.3
Employed - BC	2,090	0.6
Unemployed - BC	139	-3.7
		Nov '04
Unemployment Rate - BC *(percent)*	6.2	6.5
Unemployment Rate - Canada *(percent)*	7.0	7.2
INTEREST RATES (percent)	Jan 26/05	Jan 28/04
Prime Business Rate	4.25	4.25
Conventional Mortgages - 1 year	4.80	4.30
- 5 year	6.05	6.05
US/CANADA EXCHANGE RATE	Jan 26/05	Jan 28/04
(avg. noon spot rate) Cdn $	1.2307	1.3098
US $ *(reciprocal of the closing rate)*	0.8104	0.7545
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Dec '04	% change on one year ago
BC	696.56	2.7
Canada	685.05	2.6

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Check it out!

Aboriginal Profiles

Statistical Profiles by College Region With Emphasis on Labour Market and Post-Secondary Education Issues

These profiles provide comparisons of the socio-economic conditions of the on-reserve and off-reserve aboriginal populations as well as the non-aboriginal population by College Region. Data are from the 1996 and 2001 Census, Statistics Canada.

http://www.bcstats.gov.bc.ca/...

data/cen01/abor/ap_main.htm

Released this week by BC STATS

- Earnings & Employment Trends, Dec. 2004
- Current Statistics, January 2005

Next week

- Business Indicators, January 2005
- Tourism Sector Monitor, January 2005

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